

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of November 2000¹)

Questions 1-6 ask about commercial and industrial (C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Question 4 asks which of your customers have been most affected by changes in your bank's lending policies since the beginning of this year. Questions 5-6 deal with changes in demand for C&I loans over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	19	79.2
Remained basically unchanged	5	20.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	24	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	2.54
Costs of credit lines	2.63
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.50
Premiums charged on riskier loans	2.17
Loan covenants	2.58
Collateralization requirements	2.71
Other	2.92
Total	24

1. As of March 31, 2000, the 24 respondents had combined assets of \$287 billion, compared to \$806 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms

	All Respondents
	Mean
A deterioration in your bank's current or expected capital position	1.35
A less favorable or more uncertain economic outlook	2.40
A worsening of industry-specific problems	2.30
Less aggressive competition from other commercial banks	1.10
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.05
A reduced tolerance for risk	2.05
Decreased liquidity in the secondary market for these loans	1.75
An increase in defaults by below-investment-grade borrowers in public debt markets.	2.05
Other	1.15
Number of banks responding	20

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
An improvement in your bank's current or expected capital position	1.00
A more favorable or less uncertain economic outlook	1.00
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	3.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.00
Other	1.00
Number of banks responding	1

4. If your bank's credit standards or terms for C&I loans or credit lines have tightened or eased, on net, since the beginning of this year, which of your customers have been affected by these changes? (Please respond to either A or B as appropriate and rate each customer group using the following scale: 1=not affected, 2=somewhat affected, 3=most strongly affected.)

A. Customer groups affected by tighter credit standards or loan terms

	All Respondents
	Mean
Customers renewing existing commitments	2.05
New customers seeking lending commitments	2.15
Customers without committed lines seeking loans	1.80
Customers seeking M&A financing	2.10
Customers seeking commercial paper back-up lines	2.05
Customers in selected industries	2.40
Other	1.00
Number of banks responding	20

B. Customer groups affected by easier credit standards or loan terms

	All Respondents
	Mean
Customers renewing existing commitments	1.00
New customers seeking lending commitments	1.00
Customers seeking loans without commitments	1.50
Customers seeking M&A financing	1.00
Customers seeking commercial paper back-up lines	1.00
Customers in selected industries	2.00
Other	1.00
Number of banks responding	2

5. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	15	62.5
Moderately weaker	8	33.3
Substantially weaker	1	4.2
Total	24	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 5), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. If stronger loan demand (answer 1 or 2 to question 5), possible reasons

	All Respondents
	Mean
Customer inventory financing needs increased	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing increased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	3.00
Other	1.00
Number of banks responding	1

B. If weaker loan demand (answer 4 or 5 to question 5), possible reasons

	All Respondents
	Mean
Customer inventory financing needs decreased	1.67
Customer accounts receivable financing needs decreased	1.67
Customer investment in plant or equipment decreased	1.67
Customer internally generated funds increased	1.44
Customer merger or acquisition financing needs decreased	2.11
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.44
Other	1.22
Number of banks responding	9

Delinquency rates on C&I loans have been rising steadily since the middle of 1998, and recent data indicate a further deterioration in the average quality of business loan portfolios. **Question 7** asks whether the quality of your bank's C&I loan portfolio has deteriorated over this period and to what extent such deterioration was anticipated. **Question 8** asks about potential changes in lending policies at your bank through the end of 2001.

7. If the quality of your bank's C&I loan portfolio has deteriorated since the middle of 1998, please characterize the extent of deterioration relative to your bank's initial expectations?

	All Respondents	
	Banks	Pct
Much greater than had been expected	0	0.0
Somewhat greater than had been expected	13	56.5
About as much as had been expected	10	43.5
Somewhat less than had been expected	0	0.0
Much less than had been expected	0	0.0
Total	23	100.0

8. From now through the end of 2001, how would you expect standards and terms on C&I loans at your bank to change, assuming that the economy expands at a sustainable rate?

	All Respondents	
	Banks	Pct
Tighten considerably	2	8.3
Tighten somewhat	14	58.3
Remain basically unchanged	8	33.3
Ease somewhat	0	0.0
Ease considerably	0	0.0
Total	24	100.0

Questions 9-10 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months, and question 10 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the past three months, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.

9. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	1	7.1
Tightened somewhat	3	21.4
Remained basically unchanged	10	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

10. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	21.4
About the same	9	64.3
Moderately weaker	1	7.1
Substantially weaker	1	7.1
Total	14	100.0

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